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HOW THE VIDEO SERVICE COMPETITION ACT HAS FAILED...

The Video Service Competition Act (S.L. 2006-151) took effect January 1, 2007, after heavy lobbying by the cable and telephone industries. The bill was characterized as a sure-fire way to increase competition, provide consumer choice, lower rates, promote PEG channels and improve customer service and accountability. It would keep local communities “whole” by replacing local cable franchise fees with a redistributed state video programming tax. It has not succeeded.

IT HAS NOT CREATED VIDEO COMPETITION

- 114 state franchises in effect; all but one filed by incumbent cable operators, none facing any competition, non filed by AT&T; Effect – deregulation of cable monopolies.

CABLE RATES HAVE INCREASED

Cable rates increased around the state (e.g., Raleigh, Cary, Benson, Charlotte, Greenville (@5%), except not raised where cable operator expects competition from municipally-owned cable operator (Wilson, Davidson/Mooresville [MI-CONNECTION]).

IT HAS LED TO LESS CONSUMER CHOICE

- Some cable operators are reducing the size of service areas previously served under local cable franchises (eliminating obligation to serve lower density, lower income, and potentially competitive areas); (e.g., Nash County). These consumers have less video choice.

IT IS DISMANTLING LOCAL PUBLIC, EDUCATIONAL, & GOVERNMENT CHANNELS

- State financing is proving insufficient for development or maintenance of PEG channels; PEG channels will not develop or will shut down from lack of financing;
- Promise of financing for PEG was \$25K per channel; reality of \$6K (cost of one digital camera);
- Local governments not using PEG Supplemental Funds and PEG Subscriber fee-comparables for public or educational channels; (e.g., Greenville, Pitt County, Orange County)
- Cable operators refusing to provide PEG channels requested by local government as required under the law (e.g., Nash County, Henderson, Durham County, Surry County Community College, Wayne County, Goldsboro); Withdrawing State Franchises and resubmitting with redesigned service area so won't have to provide PEG channels (e.g., Nash County), turning off live channels (Surry County) or terminating PEG support & studios (Durham).
- Cable operators attempting to place PEG on non-basic tiers (enhanced or digital with a box) despite language in local franchise.
- At the same time, State franchised cable operators will save \$millions over next 60 year term of state cable franchises due to relief from their role as traditional source of PEG funding and will repossess PEG channels for commercial gain.

LESS ACCOUNTABILITY TO THE CONSUMER

- Four state franchises filed although local cable franchises in effect (Mecklenburg, Mt. Holly, Pitt County, Rowan County); SOS still granted state franchise. No enforcement.
- Customer Service, discrimination and overall enforcement of law based on service area; service areas distinguished by color coded maps; SOS only providing black and white depictions of service areas; Not making Franchise Applications public (non posted on Web site); Annual service reports not being filed; No enforcement.
- No enforcement mechanism for failure to meet terms of law (e.g. PEG)(except to sue).

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